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OFFICE OF THE SECRETARY

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November 28, 2000

EX PARTE

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
445 12th Street, SW, Room TWB-204
Washington, DC 20554

Re: *Ex Parte* filing: Inter-Carrier Compensation for ISP-Bound Traffic
CC Docket No. 99-68

Dear Ms. Salas:

Today, AT&T Corp. sent the attached letter to Ms. Dorothy Attwood, Chief of the Common Carrier Bureau. Please place a copy of this letter in the docket of the above-captioned proceeding.

An original and two (2) copies of this letter are submitted herewith in accordance with Section 1.1206 of the Commission's rules.

Sincerely,

Stephen C. Garavito / sha

Attachment

cc: D. Attwood
A. Candeub
J. Jackson
T. Preiss
G. Reynolds
S. Zinman

No. of Copies rec'd 0+2
List A B C D E

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EX PARTE

November 28, 2000

Ms. Dorothy Attwood
Chief
Common Carrier Bureau
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: *Ex Parte* filing: Inter-Carrier Compensation for ISP-Bound Traffic
CC Docket No. 99-68

Dear Ms. Attwood:

AT&T Corp. ("AT&T") submits this response to recent *ex parte* submissions in this proceeding by five competitive local exchange carriers ("the five CLECs") on October 20, 2000[1], and by four incumbent LECs ("the ILECs") on October 12, November 3, and November 9, 2000.[2]

As set forth below, AT&T supports the positions taken by the five CLECs, with one exception. Thus, AT&T agrees that: (1) reciprocal compensation rates have decreased dramatically: (2) CLECs are not compensated for terminating dial-up ISP-bound traffic through business line rates, the subscriber line charge, or special access charges for private lines; (3) any decision regarding the applicability of "bill and keep" should be reserved for the proposed Notice of Inquiry addressing all forms of inter-carrier compensation; (4) rates for switching and transport UNE elements should be the same as rates for the same functions within reciprocal compensation; and (5) issues associated with voice over Internet protocol should not be addressed in this proceeding. AT&T does

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1 The five CLECs are Allegiance Telecom, Inc., Focal Communications, Intermedia Communications, Inc., Time Warner Telecom, and XO Communications, Inc.

2 The four incumbent LECs are BellSouth, Qwest, SBC and Verizon.

not believe, however, that the Commission should address network architecture issues in the current proceeding. AT&T therefore does not support the five CLECs' 25-mile POI proposal. Such a departure from the current Commission rule was not contemplated by the Commission's public notice, has not been justified by record evidence, and would be contrary to the public interest.

AT&T opposes the incumbent LECs' proposal that the Commission adopt at this time a mandatory bill and keep rule for ISP-bound and local (including wireless) traffic. The incumbent LECs have presented no evidence demonstrating that reciprocal compensation for all local traffic – including ISP-bound traffic, which the Commission has consistently ruled should be treated as local for compensation purposes – should be abandoned. The delivery of local traffic originated by ILEC customers unquestionably imposes real costs on the CLECs that deliver that traffic, and it is thus entirely appropriate that ILECs pay compensation when they hand off more traffic than they receive. The sole justification the ILECs proffer for their proposal is the fact that they currently are net payers of reciprocal compensation (assuming they actually pay monies that are due and owing under their interconnection agreements and pursuant to state commission rulings). But Congress and the Commission recognized that traffic delivered to local carriers for termination could in fact be out of balance, which is why the Act provides for reciprocal compensation in the first place, and why the Commission required that traffic be roughly in balance before bill and keep could be imposed. It is thus ironic that the ILECs, who argued that bill and keep would be an unconstitutional taking of property when they believed they would be net recipients of traffic, should now be advocating bill and keep precisely because other carriers receive more traffic than they generate. In any event, the ILECs' submissions demonstrate that any purported reciprocal compensation "problem" is transitory and does not warrant the wholesale tossing out of reciprocal compensation – a method of compensation specifically authorized by Congress to ensure that new entrants were compensated for their costs of terminating traffic.

1. CLECs are not compensated for their costs of terminating ISP-bound traffic via their local business tariff revenues, the subscriber line charge, or special access surcharges.

As the Commission found in the *Local Competition Order*, "carriers incur costs in terminating traffic that are not *de minimis*, and consequently, bill and keep arrangements that lack any provisions for compensation do not provide for recovery of costs."[3] For this reason, the Commission's rules properly limit mandated bill and keep to those situations where traffic is roughly balanced. Nothing has happened in the last four years to justify a change in the Commission's conclusion. CLECs that terminate ISP-bound traffic incur

3 *Local Competition Provisions in the Telecommunications Act of 1996*, First Report and Order, 11 FCC Rcd. 15499, (1996) ("*Local Competition Order*"), ¶ 1112.

costs in doing so, and – unless traffic between the ILEC and the CLEC is roughly balanced – adoption of mandatory bill and keep would result in such CLECs being uncompensated for those costs. Indeed, the ILECs' propose mandatory bill and keep precisely because traffic is imbalanced, and because they are therefore required to pay CLECs for the termination of ILEC-originated traffic.

Because they want to stop such payments to CLECs, the ILECs contend that they need not compensate CLECs for their costs of terminating ISP-bound traffic because CLECs' costs are covered by the CLECs' local business line charges, the subscriber line charge ("SLC"), or special access charges. This is patently false. CLEC local business line rates are not intended, nor set, to recover the traffic sensitive costs associated with the receipt of sent-paid traffic. As has been the case since the Commission adopted the ESP exemption in 1983, the costs of calls to ISPs are recovered by the originating LEC – here, the ILECs – as part of its local service charge to its customers for sent-paid traffic.

Receipt of the SLC likewise does not compensate CLECs for their costs in terminating ISP-bound traffic. The SLC is designed to recover some of the costs of the local loop allocated to the interstate jurisdiction. It does not recover any traffic sensitive costs. Indeed, reciprocal compensation is the vehicle Congress created to recover the additional, traffic sensitive costs incurred when a CLEC terminates traffic.

Nor does receipt by a carrier of the special access surcharge associated with private lines offset the costs that the terminating CLEC incurs in delivering ISP-bound traffic to the ISP. In the first place, these private lines are used by the ISP to connect with the Internet, and the private line provider often is not the CLEC delivering traffic to the ISP. More fundamentally, the special access surcharge is designed to recover non-traffic sensitive costs allocated to the interstate jurisdiction – not traffic sensitive termination costs generated in the local jurisdiction, which Congress has decreed should be recovered through reciprocal compensation.

2. Current traffic imbalances cannot justify abandoning reciprocal compensation for the transport and termination of traffic.

From the view point of the ILECs' local subscribers, a call to an ISP is no different than any other local sent-paid call a customer makes. It is the ILEC's customer that chooses to place the call and uses the originating ILEC's local service to make the call. Moreover, because the ILECs' local service rates are based on the average costs of all sent-paid calls by their customers, including those who initiate ISP-bound calls, the ILECs' local service charges already cover the reciprocal compensation costs associated with all of the customer's outbound calls.[4]

[4] *See also* Ex Parte of Cablevision Lightpath, Inc., filed October 17, 2000.

Even aside from the fact that ILECs recover the cost of reciprocal compensation through local service rates set to reflect average costs of service, the ILECs greatly overstate the magnitude of their potential reciprocal compensation obligation. In their October 12th *ex parte*, the ILECs' estimate that their reciprocal compensation obligation in 2002 would amount to $2.031 billion. It should be noted that this estimate does not account at all for the hundreds of millions of dollars in reciprocal compensation payments the ILECs will receive from net originators of traffic, such as wireless carriers. Even more fundamentally, the ILECs' estimate itself appears to be vastly overstated.

First, the ILECs assume without substantiation that Internet on-line usage per on-line household will increase 30% per year on a compound basis. Yet, Merrill Lynch figures show that the on-line hours per household are expected to grow from 7.25 hours per week in 1998 to 10.25 hours per week in 2003.[5] This represents a 41.4% growth over 5 years or only 7% per year compounded. Clearly this is a major discrepancy that indicates the ILECs have vastly overstated total dial-up Internet access minutes.

Second, the ILECs assume a usage split between dial-up and high speed Internet access that appears to reflect the split between the various types of Internet access methods (*e.g.*, dial-up vs. broadband) rather than the degree of usage associated with each method. This makes no sense. In fact, those consumers who access the Internet the most are the ones most likely to switch to high speed access. This is corroborated by the same Cahner In-Stat report referenced by the ILECs, with which one can calculate the relative intensity of high speed line use compared to dial-up lines.[6] In addition, the Morgan Stanley Dean Witter report referenced by the ILECs provides a projection of the Internet access line penetration by primary access method. Using the primary access method penetration and the relative intensity of use by type of access method and the average total on-line time/household, permits calculation of the dial-up on-line time per dial-up household as set forth in Attachment A. This adjustment further reduces the usage per dial-up household employed by the ILECs.

These two corrections alone reduce the dial-up usage per household in 2002 from the ILEC estimate of 50,285 min/household/year (or 2.3 hours each and every day) to 26,253 min/household/year. Accordingly, when multiplied by the dial-up households, the total dial-up minutes would be 1,060 billion in 2002, rather than the ILEC asserted 2.031 billion. As a result, the ILECs' reciprocal compensation obligation would be $1.061 billion, rather than the $2.031 billion they project. Thus, correcting only the ILECs' gross errors, in two years the ILECs' reciprocal compensation obligation would be 52.2%

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5 *See* Internet/e-Commerce, *The Quarterly Handbook: 3Q 2000*, Merrill Lynch, July 2000, p. 62, Table 26.

6 *See* Cahner In-Stat Group, *Report No IS00-01SP, Residential ISP Buying Behavior and Internet Usage Trends: A Survey of U.S. Consumers*, Jan-00, Charts 24 & 27.

of what the ILECs estimate it will be in 2002, and only 42.8% of what the ILECs estimate it will be this year.[7]

Furthermore, as the five CLECs confirm in their *ex parte*, reciprocal compensation rates have declined dramatically since 1996, and will continue to do so. Because – contrary to their expectations – ILECs have been the payers, rather than recipients, of reciprocal compensation, they have been forced to submit more realistic cost data in state cost proceedings to justify lower reciprocal compensation rates. This market incentive to lower reciprocal compensation rates to more realistic levels has also resulted in lower switching and transport UNE rates, because most states have linked their reciprocal compensation rates to the switching and transport UNE rates. The ILECs themselves project a significant reduction in reciprocal compensation rates over the next two years.[8] Moreover, dial-up calls to ISPs are not growing at their previous rate as people switch to DSL and other Internet access methods. As the ILECs' own inflated estimates show, this decline in reciprocal compensation rates plus the shift to high speed Internet access will, by itself, result in a substantial reduction in the ILECs' reciprocal compensation obligations. Thus, contrary to the ILECs' representations, the reciprocal compensation "problem" is not growing and will be resolved over time as rates fall and people transition to non-switched Internet access methods. There thus is no reason to segregate ISP-bound traffic for any discriminatory treatment, nor to abandon a Congressionally-mandated compensation method, to reduce a traffic imbalance that will be resolved by the market without intervention.

Indeed, the facts the ILECs submit to prove their case demonstrate that such drastic action by the Commission is not necessary. Contrary to the horror stories the ILECs trumpet of renegade CLECs building their businesses on the promise of unlimited reciprocal compensation revenues, the ILECs' October 12th submission shows that CLECs have in fact reduced the percentage of their revenues that come from reciprocal compensation. As the ILECs themselves state:

> Most CLECs . . . that count reciprocal compensation for dial up Internet traffic as [sic] material percentage of their total revenues have taken steps to dramatically reduce that percentage.

Attachment to the ILECs' October 12th *Ex Parte*. Even the ILECs' exaggerated estimate of what their reciprocal compensation obligation would be in 2002 shows an 18%

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7 Moreover, even using the ILECs' overstated and unsubstantiated assumptions, their own numbers show that without any action by the Commission, ILEC reciprocal compensation payments will decline 18.5% over a two-year period.

8 The ILECs thus project a decline in reciprocal compensation rates from $0.004/min in 200 to $0.0015 in 2002, a 62.5% decline. *See* ILECs' October 12th *Ex Parte*.

decrease in only two years.[9] And as demonstrated above, a more realistic estimate shows that the total reciprocal compensation obligation would be reduced 57.2% over the same two-year time frame, *i.e.*, from the ILEC estimate of $2.477 billion in 2000 to a realistically estimated obligation of $1.061 billion in 2002. See Attachment A.

These calculations only reinforce the fact that the ILECs are looking for a solution to a payment imbalance that will be substantially reduced by the natural operation of the marketplace. The Commission should not now throw out the Act's reciprocal compensation requirement, which embodies the concept that carriers must pay when they use another carrier's network, to address such a transitory situation. There is simply no reason for the Commission to take such action.

3. The Commission should not mandate bill and keep in this proceeding.

The ILECs propose that the Commission mandate bill and keep for ISP-bound traffic, or for ISP-bound and all local traffic (including wireless traffic). AT&T agrees with the five CLECs that the Commission should not prejudge the applicability of bill and keep in the current proceeding. In this regard, it is not clear that the notice given by the Commission in this proceeding – which was focused on ISP-bound traffic – is broad enough to support such sweeping action.[10] Moreover, the Commission has indicated that it intends to issue a Notice of Inquiry to address all inter-carrier compensation issues. Any resolution of the bill and keep issue should occur in that proceeding on a full record.

Should the Commission determine to address bill and keep – despite the lack of sufficient notice or an adequate record – the Commission should soundly reject it. Despite the ILECs' claims, adoption of bill and keep will introduce regulatory incentives to serve one group of customers vis-à-vis another, will not increase local residential competition, will not promote more rapid deployment of advanced services capabilities, will not result in more market–based pricing to ISP customers, and will not drive rates to more efficient levels. Instead, adoption of bill and keep will penalize one group of competitors – new entrants who terminate more minutes than they originate – at the expense of entrenched incumbents, merely because incumbent monopolists are not used to paying out money. Attachment B to this submission rebuts the ILECs' claims in more detail.

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9 The ILECs' estimate shows their reciprocal compensation obligation declining from $2.477 billion in 2000 to $2.031 billion in 2002. The ILECs, however, do not include in their figures the reciprocal compensation payments they will receive from net originators of local traffic, such as wireless carriers. Thus, their "reciprocal compensation liability" would be substantially less than what they show, even using their inaccurate assumptions.

10 For the same reason, the Commission should not address voice over Internet protocol ("VoIP") in this proceeding. *See* The Five CLECs *Ex Parte*, at 10.

4. The Commission should not address network architecture issues in this proceeding.

In their submission, the five CLECs propose that they be required to establish a point of interconnection ("POI") whenever they open up NXXs located 25 miles or more from an existing POI. Although these CLECs certainly may reach a voluntary agreement with ILECs on this issue pursuant to section 252 of the Act, the Commission should not attempt to impose industry-wide network architecture requirements in this proceeding. Not only would this "one size fits all" approach inhibit more efficient and creative network serving arrangements, but it would unnecessarily overturn existing Commission precedent.

In the *Local Competition Order*, the Commission held that CLECs may choose the most efficient points at which to exchange traffic with incumbents.[11] The Commission has also recognized that requiring new entrants to collocate at multiple points with a LATA could be so costly it would thwart the Act's goal of opening local markets to competition.[12] And in the *SBC Texas 271 Order*, the Commission reiterated that new entrants may select the most efficient points at which to exchange traffic with incumbent LECs.[13] If it were to adopt the CLEC proposal as a mandatory network architecture requirement, the Commission would be causing the harms it has properly warned against. Moreover, such a network architecture requirement clearly was not contemplated by the Commission's public notice, has not been justified by record evidence, and would be contrary to the public interest.

Sincerely,

Stephen C. Garavito /ha

Stephen C. Garavito

Attachments

cc: A. Candeub
J. Jackson
T. Preiss
G. Reynolds
S. Zinman

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11 *Local Competition Order*, ¶ 172.

12 FCC Amicus Brief, *U S West v. AT&T* (D. Ore. 1998).

13 *Application of SBC Communications, Inc., et al.*, CC Docket No. 00-65, FCC 00-238, Memorandum Opinion and Order (June 30, 2000), ¶ 78.

ATTACHMENT A

ILEC Ex Parte Analysis (revised)	1999	2000	2001	2002
US Households (000)	103900	105000	106400	107700
US Online Households (000)	43600	47300	51400	56900
% Penetration	42%	45%	48%	53%
On-line minutes/HH/day	63	67	72	77
On-line minutes/HH/yr	22,888	24,529	26,288	28,173
On-line minutes	997,916,800,000	1,160,235,520,713	1,351,217,643,277	1,603,066,824,534
Broadband penetration	4%	12%	20%	29%
Dial -up	96%	88%	80%	71%
Ratio Broadband/Dial-up Use/line	1.25	1.25	1.25	1.25
Dial-up Minutes/Dial-up Household	22,659	23,809	25,026	26,253
Dial-up minutes	948,430,380,021	991,009,143,610	1,029,057,690,592	1,060,591,810,288
% CLEC-terminated minutes	40%	50%	57%	67%
% CLEC-terminated minutes	379,372,152,009	495,504,571,805	586,562,883,637	707,414,737,462
		0.004	0.00275	0.0015
		$ 1,982,018,287	$ 1,613,047,930	$ 1,061,122,106
T:O ratio		18	18	18
Capped T:O		18	4	2
% Reduction in compensation		0%	78%	89%
Revised Compensation		$ 1,982,018,287	$ 358,455,096	$ 117,902,456
Effective compensation/mou		$ 0.0040	$ 0.00061	$ 0.00017

ATTACHMENT B

Myths Regarding Bill and Keep

Myth No. 1: *Under a bill and keep regime, carries would have no greater incentives to serve customers that terminate traffic than customers that originate traffic. A LEC, like any other business entity, would recover its costs from it customers, and its business decisions would be based -- not on regulatory arbitrage -- but on the dictates of the marketplace, as Congress intended.*

Facts: As the Commission acknowledged in the *Local Competition Order*, bill and keep works equitably only under conditions where originating and terminating traffic exchanged between parties is in approximate balance. Unless there is a general balance in the traffic, one party (the terminating party) bears the costs of another party (the originating party) without compensation. Clearly, a business should recover its costs from the customers who generate those costs. Only a monopolist has the power to shift costs to another party. In this case, the consumer decides to place a call to the ISP modem banks in order to connect to the Internet. The caller, not the called party, generates the cost. In the case of wireline local telephony, the calls are sent paid. This means the originating caller pays the originating carrier all costs of placing the call as set forth in the pricing schedules of the originating carrier. The originating carrier is then responsible for compensating other carriers for terminating calls to called parties on those carriers' local networks.

The Commission explained how reciprocal compensation works in the *Local Competition Order* (¶ 1034):

> Reciprocal compensation . . . is intended for a situation in which two carriers collaborate to complete a local call. In this case, the local caller pays charges to the originating carrier, and the originating carrier must compensate the terminating carrier for completing the call. This reading of the statute is confirmed by section 252(d)(2)(A)(i) which . . . provides for "recovery by each carrier of costs associated with the transport and termination on each carrier's network facilities of calls that originate on the network facilities of the other carrier."

The ILECs convert a perceived deficiency in their retail originating price structure into an issue of arbitrage, which is not the issue. For the most part, the ILECs' complaint is that they have usage insensitive retail rates, but incur costs on a usage and distance sensitive basis. Thus, their charge structure is decoupled from their cost structure (arbitrage will be discussed below). The ILEC answer is to deny payment for legitimately incurred costs.

Moreover, bill and keep would not make carriers indifferent as to which customers they serve. Rather, bill and keep encourages carriers to serve customers with a greater proportion of originating usage to the exclusion of those customers receiving a greater proportion to terminating traffic. As the Commission noted in the *Local*

Competition Order (¶ 1112), "as long as the cost of terminating traffic is positive, bill-and-keep arrangements are not economically efficient because they distort carriers' incentives, encouraging them to overuse competing carriers' termination facilities by seeking customers that primarily originate traffic."

Myth No. 2: *Under a bill and keep regime the disincentive to serve residential customers would be eliminated. Carriers would not be able to net more reciprocal compensation by avoiding residential consumers, nor would they face the risk of having to pay significant amounts of reciprocal compensation if they served residential customers.*

Fact: Bill and keep provisions for reciprocal compensation have little to do with whether or not a CLEC can provide residential local service. The problem with market entry in the residential market is that supra-TELRIC pricing coupled with the non-economic price structure employed by most ILECs for residential service makes it virtually impossible for a CLEC to construct a positive business case for residential local service market entry. Reciprocal compensation considerations are largely irrelevant. Adoption of a mandatory bill and keep system would create no meaningful incentive to serve residential customers to a greater extent, and would create a disincentive (as discussed above) to serve customers terminating more usage than they originated.

Myth No. 3: *Bill and keep eliminates an artificial incentive to use dial-up Internet access instead of more efficient, more advanced Internet access capabilities. Indeed because a bill and keep regime will promote market-based competition for the business of ISPs, bill and keep give LECs incentives to provide the most efficient and advanced Internet access capabilities to their ISP customers. Bill and keep will thus promote the goals of section 706 of the Act.*

Fact: Reciprocal compensation arrangements have little to do with goals of section 706 of the Act. It is the ILEC retail local service price structure that creates non-economic incentives and those incentives artificially suppress the use of access alternatives. This occurs because under a residential flat-rated price structure for local use, the customer gets virtually unlimited dial-up Internet access for a fixed price. If dial-up is effectively free, but high speed access, whether cable, DSL or some other form, costs $30-$50 per month, only those customers who place a premium on high speed transfer rates will take the alternative to dial-up. Thus, it is the pricing of local service, not reciprocal compensation, that causes uneconomic decision making on the part of consumers. Moreover, bill and keep will not promote market-based competition for the business of ISPs. Rather, it will insert a clear and artificial market disincentive (denial of compensation for costs incurred) for any carrier to service a dial-up ISP. Given the massive barriers to entry in the residential market, only the ILEC will benefit from bill and keep.

Myth No. 4: *Under a bill and keep regime, all carriers will compete fairly and on the merits for the business of ISPs and other customers with large traffic imbalances. Success in the market place will be dictated by the quality and price of their services, not the selective availability of a subsidy that can be used to defray costs. CLECs frequently claim that they have been successful in signing up ISPs because they can serve them more efficiently. If they can do so, they will continue to succeed in the marketplace, but for the right reasons -- not because of regulatory arbitrage.*

Fact: CLECs have been successful because they have been more responsive to ISPs. The issue of arbitrage is a red herring. If, in fact, the CLECs have implemented less expensive means to serve ISPs – an the assertion that has not been proved – nothing precludes ILECs from implementing the same technical architecture and providing the same service to compete with the CLECs. Rather than offering an alternative that competes head-to-head with the CLECs, however, the ILECs seek to use the regulatory process to force CLECs to absorb the costs generated by ILEC customers. Historically, the Commission has relied upon arbitrage to correct inefficient pricing in the market where there is disproportionate market power. To the extent arbitrage opportunity exists, the ILEC complaint is that it is working and forcing them to implemented more rational price structures and more efficient architectures. Obviously, it is easier to request regulatory intervention to disadvantage competitors than to operate in a competitive manner.

Myth No. 5: *Bill and keep fixes the problem (inefficient rate structure) by displacing existing minute-of-use rate structures in favor of a market-based approach. Under bill and keep, carriers will compete for the customers that terminate traffic and the market will drive rate and rate structures to efficient levels.*

Fact: This assumes that reciprocal compensation rates are not being driven toward more efficient levels, which is not true. Instead, the current reciprocal compensation system is leading toward a marked decline in reciprocal compensation rates. This decline is estimated by the ILECs themselves to be more than 62% over the next two years. It is the ILECs who want to stop this market-based reduction in reciprocal compensation rates through adoption of mandatory bill and keep, which by definition reduces to zero the compensation to any carrier that terminates more calls than it originates.

Further, absent reciprocal compensation and the concomitant obligation to pay money when traffic is imbalanced, there are insufficient market forces – either now or for the foreseeable future – to discipline the ILECs. Moreover, from a policy perspective, it is important that the ILECs, in general, be required to keep their UNE charges for transport and termination unified with their RC charges and charge structure. Finally, to the extent a rate structure issue exists, the ILECs are free to propose alternatives to state commission with oversight responsibility.

Myth No. 6: *Under a bill and keep regime, the cost of the call would be shared by the calling and called party.*

Fact: As discussed extensively above given the current traffic imbalance, bill and keep means the ILEC will bill the customer (and keep the revenues) and the CLEC will keep the costs.

Myth No. 7: *Under a bill and keep regime, ISPs would not have unfettered incentives to generate artificial on-line minutes.*

Fact: In their October 12th submission, the ILECs themselves have demonstrated that CLECs do not have unbounded incentives to increase their ISP-bound traffic, and, in fact, are taking steps to drastically reduce the percentage of their revenues due to ISP-bound traffic. With respect to any CLEC that may engage in fraudulent practices, the ILECs have successfully pursued redress through state commissions and the courts.